ERRATUM

In Table 1 on page 7 the far righthand column which reads "Manufacturing" should have been labeled "Nonmanufacturing".

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The Conference Board
Research
Bulletin

No. 185

Business in the Community

Where Vanguard Companies Are Focusing

by Leonard Lund

Management Summary

- Community issues attracting most corporate attention and involvement in the past year were local economic development, primary and secondary education, health care, unemployment and job training, and arts and culture.
- Over the next two-to-five years, involvement will be in "people" issues—primary and secondary education, problems of the aging, and health care.
- CEO involvement growing in economic development, arts and culture, and primary and secondary education.
- Changing perception of community affairs' function toward bottom-line impact, "investment" of corporate contributions, and active influence on public policy.

CORPORATE RELATIONS PROGRAM

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Bulletin

Business in the Community: Where Vanguard Companies Are Focusing

The Conference Board frequently queries corporations to determine their positions on various community affairs issues and practices.[1] Most often, there is no standard response that can be attributed to the business community. Rather, each business, reflecting its corporate culture, environment and current leadership will, at a particular time, identify and give priority to the issues that affect it. However, there are communities of interest that bring businesses together in common actions.

Factors Affecting Corporate Responses

Aside from an individual corporation's philosophy —and that of its leadership—a whole series of outside factors help frame corporate response to various community issues. Obviously, some of these involve the local social and economic environment and the relationship between the business and the community. Others may include national social, political and economic conditions that fashion the current social fabric. According to Madelyn Hochstein, Senior Vice President of Yankelovich, Skelly and White, the current social and political climate may be termed the "Era of New Maturity." Mrs. Hochstein believes the characteristics of the period include a sense of tempered optimism about the future, and a strong concern for the "bottom line." The latter generates the need to make strategic choices and trade-offs in the allocation of corporate resources. Summarizing the results of a 1984 survey she conducted of a group of corporate CEO's, corporate leaders anticipate greater commitment to community and socially directed activities. They are also becoming more interested in affecting the public policy debate on such social issues as education and health care delivery—particularly where they perceive a lack of action on the part of public policymakers.[2]

The heightened level of involvement by chief executive officers was also discussed during a meeting of The Conference Board's Community and Public Issues Council, a group of senior community and public affairs executives from major corporate Associates of The Conference Board.[3] This session dealt with changing aspects of the community relations function and the role of community affairs officers. Discussion was based upon the findings of an informal survey of a small group of these officers from major companies. The findings of the informal survey, highlighted by the discussion, strongly indicated that the role of the corporate community relations executive is increasingly aimed toward "activism," particularly in the public policy arena.

The Community and Public Issues Council suggested that it would be useful to survey major corporations in order to develop a current record of community issues in which corporations are involved—either in programs of their own or as partners in local coalitions. This profile of corporate community concerns identifies current issues by the level of priority firms assign to them, traces the evolution of these concerns, and examines the various modes of response.

Public affairs or community affairs officers of major corporations were asked to rank the top five community-related issues only in their headquarters community, in which their company had had some active involvement in the past year. Based on responses from 140 companies, the five choices selected from a list of major issues, were tabulated in three ways: (1) the number of times they were mentioned as first-to-fifth choices (based upon the extent of corporate involvement); (2) the cumulative total of the number of times an issue was listed as *any* of the five choices (3) scoring and averaging each mention according to the priority of choice—the first choice given five points and the fifth choice, one point. Since both the cumulative total method and scored average method produced the same rankings, only the results of cumulative total were used.

Examining Community Needs

The survey responses indicate that major needs of most communities are essentially similar: They include the need for expansion of the economic base, either through attracting new industry or by stimulating the growth of local businesses; the need to improve schools; the need for and the high cost of health care facilities and services. Communities also face the need for job training and for lowering unemployment rates.

[1] For example, Leonard Lund, *Issues in Economic Development, Stimulating Local Leadership and Resources.* The Conference Board, Research Bulletin No.175, 1985.

[2] Madelyn Hochstein, *Social and Political Issues Today,* Presentation to Corporate Contributions Seminar of The Conference Board, January 15, 1985.

[3] Community and Public Issues Council (formerly the Business Urban Issues Council) of The Conference Board. Unpublished remarks from a meeting on November 1, 1984.

These are the basic kinds of issues in which most companies become involved. Except for some unusually pressing local need, the community issues to pursue are chosen from this array by the individual companies.

Industry differences in the selection of community issues may, however, indicate that some motivations other than community needs are at work. The most apparent motives are self-interest and a perceived level of competence. This underscores the view that business involvement is most likely to be devoted to issues that have an impact on company interests, or to issues in which the company or its personnel believe they have particular expertise to contribute. The involvement by utilities in energy and environmental issues and the involvement of banks in housing and neighborhood development programs are examples of this rationale.

On the other hand, the general consensus of the participants at The Conference Board's Community and Public Issues Council meeting was that, for the most part, the community affairs executives determine the area of company involvement—influenced by experience and the judgment of top corporate leadership. However, these determinations have also been shaped by many others with whom the executive interacts—peers, community contacts, co-workers, "gurus," and by the company culture and tradition.*

Issues Of Concern

Local economic development is the leading issue of concern, and the one that generates the most involvement. A traditional concern for most businesses, it is an issue that often governs the economic climate and helps to determine whether or not a company prospers. Local economic development was selected first in the cumulative rating, with 47 percent of the total mentions.

Primary and secondary education was the second most frequent involvement issue, chosen by 42 percent of the respondents on a cumulative basis.

Third was the broad area of *health care and hospitals*, including the issue of health care costs. About 36 percent of the cumulative mentions were for this issue.

The fourth issue was *unemployment and job training* with 34 percent of the cumulative mentions. Fifth was *arts and culture* with 32 percent of total choices.

Other issues that garnered more than 30 percent of the total mentions were *higher education* (31 percent) and *minority concerns* (30 percent). Table 1 presents all the issues and the frequency of mention.

In the "other" category, the most frequently mentioned involvements dealt with the problem of hunger and support for programs that feed the hungry in the community in which the company has its headquarters. A second involvement was with United Way. No attempt was made to find out whether the local United Way program was a community "issue," or just another involvement of companies that mentioned it.

* Kathryn Troy, *Studying and Addressing Community Needs: A Corporate Case Book*. The Conference Board, Report No. 866, 1985.

Table 1: Community Issues of Concern to Corporations

Issues	Percent of Mentions
Local economic development	47%
Primary and secondary education	42
Health care, hospitals	36
Unemployment, job training	34
Arts and culture	32
Higher education	31
Minority concerns	30
Downtown revitalization	28
Youth programs	21
Environment, conservation, energy	20
Aging and retired persons	17
Day care and family services	17
Local government and public services	17
Housing	16
Neighborhood development	15
Drug and alcohol abuse	13
Infrastructure (streets, bridges, etc.)	13
Transit and transportation	12
Public safety and crime	9
Adult literacy	8
Handicapped	6
Women's concerns	3
Parks and recreation	2
Other (each less than 2%)	22

Using the remaining method of computation, the top five community issues were ranked by level of company involvement, i.e., by the number of times each issue was mentioned as the one getting the most company attention, or second highest amount of attention, etc. *Local economic development* was most often named the issue getting top attention, and, therefore, was first choice. It was also the third-choice issue. *Primary and secondary education* was the second most important issue mentioned by the largest number of respondents. It is interesting to note also that some of the less "popular" issues, as far as total mentions go—notably *youth programs* and *day care and family services*—scored high as fourth and fifth choices (Table 2).

Table 2: Top Five Community Issues (by ranking)

Issues	Choices				
	1st	2nd	3rd	4th	5th
Local economic development	1	4	1		
Primary and secondary education	2	1	4		2
Health care and hospitals	3		2	3	
Arts and culture		3	5	4	
Unemployment, job training		2		1	5
Minority concerns		5	3		3
Youth programs				1	
Higher education	4			4	
Downtown revitalization	5		5		
Day care and family services			2		

Choices By Industry

Because of the heavier response from manufacturing companies, the survey responses were separated and analyzed according to particular industry categories in order to highlight the differences or similarities in interest. For the manufacturing industries, the major concerns, in order of significance, were: local economic development, health care issues, and primary and secondary education. However, in two industries—petroleum and high technology — the companies assigned their top rankings to primary, secondary and higher education. It is probable that the need for highly trained personnel in these industries is a determining influence in these judgments.

In the financial industries, as a group, the priority involvements were local economic development and unemployment and job training (both issues received the same number of mentions), primary and secondary education and housing (with equal numbers of mentions), neighborhood development, and arts and culture. In two major types of financial businesses—banking and insurance—the choices were quite different: The key issues for the banking respondents were economic development and primary and secondary education (both of equal importance), followed by housing, unemployment and neighborhood development. For the insurance industry, unemployment was the number-one issue followed by three issues ranked equally—local economic development, arts and culture, and housing.

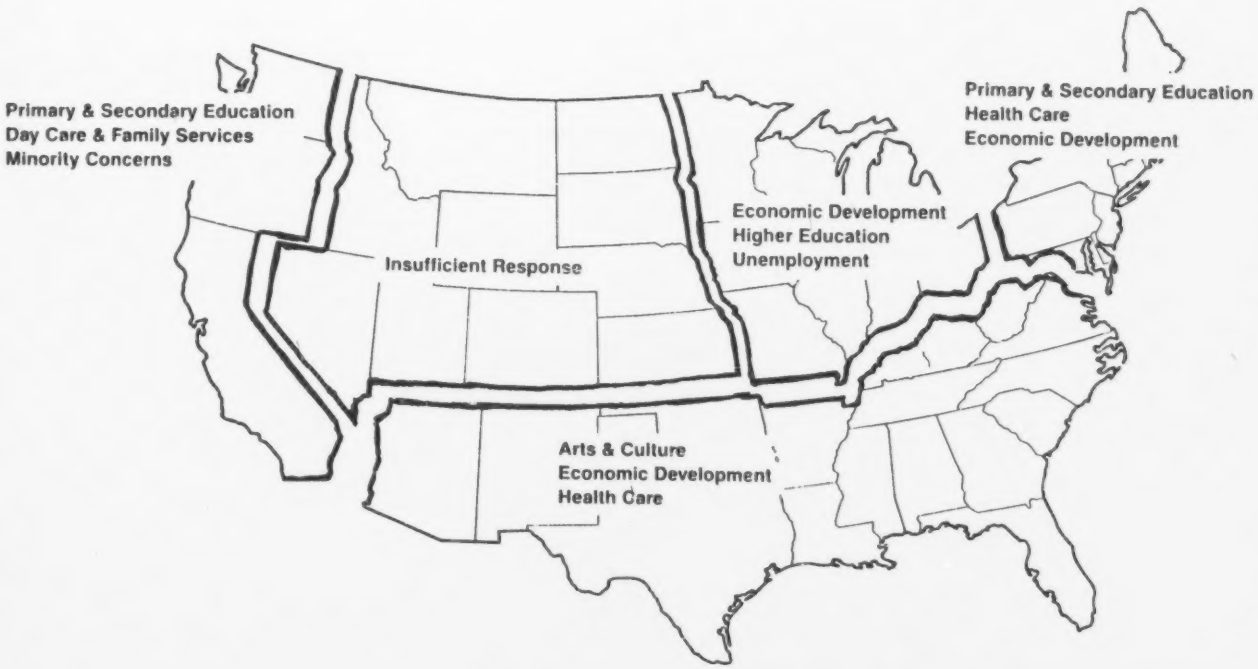
Among the service industries, including retailing, the major issues were local economic development and unemployment (both leading concerns), followed by downtown revitalization. The communications industries named primary and secondary education and youth programs as the top issues. As might be expected, community issues relating to the environment and energy were the major involvement areas for utilities, followed by local economic development and health care.

Choices By Location

Survey reports were analyzed by headquarters locations to determine whether the key issues might reflect regional characteristics. Interesting differences were found, reflecting major regional economic and social conditions. (See chart.) The deep concern over the loss of industry in the Middle West was reflected in the choices made by companies in that area. The extensive public education improvement efforts ongoing in the Northeast and in California are mirrored by the corporate priority given this issue in these regions.

In considering the community-affairs program choices made by companies, another factor is the effect of being headquartered in major urban centers. The community issues for such firms may reflect the problems of the inner-city minority

Community Concerns, By Region



population, but not, the study respondents indicate, to the extent that they outweigh all other issues: Minority issues were not among the top three concerns. The leading issues identified by those inner-city companies were:

(1) Primary and secondary education
(2) Local economic development
(3) Unemployment and job training
(4) Health care and minority concerns (same number of mentions)
(5) Arts and culture.

Community Issues of Secondary Concern

There are community issues in which businesses have a significant interest but have had little or no actual local involvement. The cumulative rankings showed the most frequently mentioned to be concerns with local infrastructure (streets, bridges, sewers, etc.), transit, housing, adult literacy, day care and family services, and public safety. In all of these, the view is that program responsibility and funding belongs primarily to local public and nonprofit sectors rather than to the business sector. On two of the issues, day care and family services and adult literacy, perceived demographic changes are generating a trend toward more corporate involvement.[5]

Trends in Corporate Concerns

Only primary and secondary education, among the leading issues in which corporations are involved, was identified as clearly a rising issue. The rest were considered to be rather constant; none of the issues weighed was judged to be on the decline as a matter of corporate concern.

The latter view was reinforced by responses to a request to identify those issues that would be prime areas of corporate involvement in the next two to five years—although they may not be major issues currently. Among those identified, primary and secondary education was the first, problems of the aging was second, and health care and hospitals was third in frequency of mention. The fourth and fifth items—higher education and unemployment each received the same number of mentions.

Issues and Responses

Part of the interest in identifying the leading issues is in learning where impetus for corporate involvement arose, and in the kind of response this type of issue has generated.

Local Economic Development

Local economic development has been a long-continuing concern for most businesses. It is important to maintain a good business climate in the community, to attract new businesses, to encourage expansion at present locations, and to create new kinds of stimuli for the local economy (for example, by boosting convention and tourist activities). In addition, tax revenues from business help to finance schools, infrastructure, transit, and all other local services.

Local economic development has been the basic program of chambers of commerce and other local business organizations, and is an issue in which they have assumed leadership. In recent years, however, other public and private efforts in this area have grown, some in the form of partnerships to strengthen local job-development efforts.[6]

The impetus for involvement in this issue has come primarily from business organizations: This activity remains the raison d'etre for many such organizations. Within the corporation, involvement has been encouraged by the CEO and other "networking" executives—usually public affairs officers who represent the company in the business organizations. Aside from supporting the efforts of other organizations, the major responses of local businesses have been to provide leadership in communitywide programs; to make financial contributions, to provide technical assistance; to participate in partnerships and coalitions; and to support legislation, such as industrial revenue bonds and financial and tax incentives, that would improve the community's competitive attractiveness to new business.

Primary and Secondary Education

As already noted, this is the rising issue of concern to the business community, although it has been a recognized problem in most communities for decades. The extensive public attention given to educational problems in the last few years has done much to heighten business concern. Earlier corporate involvement by companies in education was associated with the personnel or human resources function. This new attention—coming from the community affairs officers and stimulated by new relationships with school leadership—has also involved top management to an increasing degree. This issue is third on the list of community issues that attract CEO involvement.

While this issue is important to most companies because it has a bearing upon the quality of the work force, the greatest number of respondents described their companies' involvement: first, as a responsible act for the company; second, as a company tradition or commitment; and only third as an interest in better-prepared employees.

Company programs include financial contributions, involvement in partnerships or coalitions, in-kind contributions, providing community leadership, providing management and technical assistance, and extending volunteer assistance.

[5] Helen Axel, *Corporations and Families: Changing Practices and Perspectives.* The Conference Board, Report No. 868, 1985; and Dana Friedman, *Corporate Financial Assistance for Child Care.* The Conference Board, Research Bulletin No. 177, 1985.

[6] Leonard Lund and Linda Wintner, *The Public-Private Partnership in Action.* The Conference Board, Information Bulletin No. 67, 1979; R. Scott Fosler & Renee Berger, *Public-Private Partnership In American Cities.* Lexington MA: D.C.Heath Company, 1982.

Adopt-a-school programs are the most prevalent form of business-school partnerships, but they vary greatly in the degree of corporate involvement. As noted by current experiences in California, Minnesota, North Carolina, Georgia and other states, businesses involved with this issue are becoming more concerned with policy aspects of the problem: They have begun to take a more prominent role in urging passage of school-improvement legislation.

Health Care

Of all the major issues, the concern for the cost of health care has had the most immediate impact upon business operations. This may account for the extent of involvement of CEO and human resource executives. Reasons given for company involvement are: first, that it is a responsible act for the company; and, second, that it is of economic benefit to the company. Because this is a difficult issue for companies to address individually, most of the corporate reaction has come in support of the efforts of coalitions and policy-development organizations. Thus, making financial contributions and providing community leadership are the key responses. A third response is a revision of company practices—in this instance, restructuring of the company's health benefits program.

Unemployment, Job Training

The fourth-ranked issue is the traditional business concern for keeping the local labor force employed and measures to deal with problems of the hard to employ. While Federal Government programs have been the prime support of job-training activities, the involvement of business increased measurably with the creation of Private Industry Councils (PIC's), the local job-training organizations created by the Job Training Partnership Act of 1982. Members of the PIC's most often include corporate executives—key executives in public affairs and human resources—together with the owners of small businesses.

Aside from the involvement in Private Industry Councils, most major businesses also have supported other organized job-training efforts aimed at providing employment for youth and minorities or, in some cases, have conducted their own programs in which involvement translates into financial support and leadership. A third major response is the revision of company hiring practices to increase opportunities for the hard to employ. The principal reasons given for company involvement are that it is important for the local economy, a responsible act for the company, and the kind of activity urged by community and business leadership on both the local and national levels.

Arts and Culture

Local business leaders traditionally have played a prominent role in the promotion of the arts, providing leadership as well as financial support. In the companies in this survey, the chief executive officers' choice of such involvement for themselves was second only to their promotion of local economic development. Involvement in this issue is valued not only for the distinction it accords to the individual, but also for the public relations value it brings to the company. For the cultural institution, it has the advantage of making available the time and efforts of affluent and influential local personalities—as well as the financial support they represent.

Increasingly, the role of such institutions in the enhancement of the quality of life has become a major asset in marketing the community as a location for new business. Such recognition and the economic benefits of the arts as an industry, as well as a magnet for the tourist and convention trade, has led to increased efforts in major communities to encourage the establishment of regional theaters, dance companies, art galleries, and similar institutions.

Business support, as noted before, has come principally in the form of financial contributions, and in leadership support. Additionally, there has been assistance in the management of institutions and in the availability of volunteers. Company involvement is attributed to a continuation of a company tradition in support of the arts, to the enhancement of company image, and to the view that it is a responsible act for the company.

Other Corporate Responses

Sometimes corporate responses depend upon what company resources can be offered by the community affairs officer. In the informal survey held in connection with the Community and Public Issues Council meeting, community affairs officers responded that they could freely commit financial contributions (with upper limits ranging from $500 to $10,000), make in-kind contributions, and offer their own time. To a lesser degree, they could provide for advice and technical assistance, set up programs for volunteers, and call upon some top management involvement.

Some business response to local issues is taking new forms. Aside from participation as a member in programs run by business organizations, individual companies have begun to adopt multi-tier responses—as individual companies and as members of other coalitions, partnerships and corporate peer groups. This kind of involvement is being pursued to give the company more visibility, more control over programming, and the opportunity to develop personal and organizational relationships. In some instances, it can also provide for coordination of several company programs. These kinds of multiple relationships are currently evident in business-school partnerships. Many companies are involved in adopt-a-school programs as individual companies and, at the same time, are part of a local business-education consortium addressing general efforts to improve education.

Assessing Corporate Involvement

Most of the impetus for corporate involvement in community issues comes from a few sources. Within the corporation,

Texaco's Innovative Involvement in Westchester

Texaco Inc., headquartered in White Plains, New York, is a particularly good example of how a company expands and varies its community programming. On its own, Texaco conducts an adopt-a-school program. In addition, responding to requests from other companies and from schools in Westchester County, Texaco sponsored meetings between corporate representatives and school officials to examine ways to create additional business-school partnerships. The Manager of Community Relations at Texaco convinced the local Private Industry Council, on which she serves as a board member, to undertake the responsibility for administering the countywide matching of schools with businesses, since the PIC already maintains a close relationship with local schools. Fifteen new partnerships have been created in the past year and several more are being negotiated.

In addition, Texaco is represented on the Education and Arts Task Force of *Project Westchester 2000*, a long-range regional planning program involving business, government and the local citizenry. As part of its involvement, Texaco filmed a TV series for cable television on the highlights and aims of the project. The Education and Arts Task Force has set creating closer relations and continuing dialogue between businesses and schools—as exemplified by the adopt-a-school program—as its goal.

Organized by Texaco, representatives of twenty of the major corporations headquartered in Westchester County meet bimonthly to exchange information on their community affairs and public affairs programs. This regular exchange has been instrumental in helping community affairs officers of the constituent companies to enhance individual programs, and has led to cooperative involvement by groups of companies. The voluntary, and often ad hoc, associations have made it possible for community issues to be addressed far more effectively than would be possible by an individual firm on its own, and with full credit for involvement given each participant.[1]

[1] Joan S. Gilbert, unpublished remarks, Public Affairs Council meeting, Boston, MA, May 22, 1985.

it comes from those executives who interface with the community—the community affairs officers, public relations executives and, increasingly, the chief executive officer. Outside the company, the inducement most often comes from the local business organization, which maintains a continuing relationship with other organizations in the public and nonprofit sectors. Thus, in many communities, the local chamber of commerce, representing the business community, has become the vehicle for dealing with local issues, and the constituent members serve on committees and provide financial support.[7] This is the customary pattern adopted by businesses with some interest in, but no strong commitment to particular issues, or by companies without staff capability to deal with those issues. On the other hand, companies whose leaders have strong interests in an issue, either personal or proprietary, usually will fashion their own corporate response. In such cases, the company manages its own involvement and also establishes an identification with the issue in the public's mind.

A financial contribution is the most common response. A company that decides that an issue does not merit the commitment of its executives' time and talent will frequently cover its involvement with a contribution. Or this response may also indicate that some other group or organization is willing to deal with the issue and the company need do no more than provide financial assistance.

Similar assumptions may be made about the response that the company is providing "community leadership." This term denotes anything from active leadership by corporate executives to media support. Most often, it is a euphemism for support for a program conducted by another company or organization.

The most frequent reason given for corporate involvement is that it is a "responsible act" for the company. This was one of the three reasons given for involvement in every issue. Interestingly, "economic benefit to the company" was never cited as the main reason. In fact, "the impact on the local economy" was given as the reason for company involvement only for such issues as local economic development and promotion of arts and culture.

Today, most corporate community affairs officers eschew the "social responsibility" concept in favor of one emphasizing community investment or some other term that signals a relationship to the "bottom line", and have begun to substitute active roles in the promotion of programs and policies for "throwing money" at an issue. And yet it is most interesting to note that the survey respondents still state that involvement is most often motivated by the desire to be responsible, and that the response is generally financial.

In the inevitable competition for program funds, corporate community affairs officers now find that "do-goodism" does not get the same top management attention that impact on the bottom line does. This has led to an effort to alter corporate leaderships' perception that community involvement does, in fact, have real value in an economic sense, and does more than merely promote a public image (or corporate self-image) as a socially responsible institution. Inherent in this concept is the need to tie a market value to corporate involvement—a value translatable as accumulated good will that would work in the company's favor. For instance, some public affairs analysts believe that some of the credit for Johnson and Johnson's ability to overcome the Tylenol "trauma" was due to the public image of the company as a respected and responsible corporate citizen. In other instances, prominent banks have found that their image as a socially responsible institution has had the effect of mitigating local neighborhood outcry at the closing of unprofitable branch locations. And although there are countless other examples of good will or "brownie points" accrued in a company's favor that have spared it costly litigation or regulation, community affairs officers still seek measures to set values to these experiences.

[7] Lund, 1985, p.9-11.

Some of these changing perceptions are found in major companies in which the community affairs function already has been linked to company policy and goals, and also where there has been active involvement by top management in community affairs. As we periodically reassess corporate involvement in community issues, one of the interesting aspects will be to note the rate at which these altered perceptions gain general acceptance.

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